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Austrian Arms Sales to Iran Alleged

The largest industrial concern in Austria, the state-owned Voest-Alpine conglomerate, is under investigation by its government for engaging in improper transactions that may include illegal arms sales to Iran.

An Austrian official told us there have been "heavy political discussions" in the last year about the operations of Voest-Alpine and its subsidiaries. These discussions evolved into an investigation of whether the companies were "engaged in deals which they were not supposed to do," he said, including possible illegal arms transactions.

The Voest-Alpine group hasn't made a profit since 1976, sustaining heavy losses from its steel-making operation and poor oil investments. Austrian citizens have lost millions as the government poured money into Voest-Alpine.

Sources said it was this situation that may have led company officials to enter into secret negotiations with Iran. By the treaty that ended Allied occupation after World War II, Austria is permanently neutral; the sale of arms to a nation at war is a violation of Austrian law.

Over the past year, the Austrian government has become concerned at the sizable quantities of Austrian-made weapons that have been showing up on the Iranian side of the stalemated Persian Gulf war. The amount seemed to be more than would normally reach the Iranians through the black market or unscrupulous arms dealers.

Our intelligence sources, including some inside Iran, say that a partial explanation for the appearance of Austrian-made arms in the theater of

war is back-door deals made with Austrian firms, including the Voest-Alpine group.

We have a copy of a five-page, "memorandum of understanding" between Voest-Alpine and the Islamic Republic of Iran, signed Feb. 14, 1985. The contract, which ends today, was a barter deal: Iran was obligated to provide \$1 billion worth of crude oil in exchange for certain manufactured goods and raw materials.

An annex to the contract lists the goods only generally: \$550 million worth of "Various Equipment and Materials," \$150 million worth of "Various Products Including Spare Parts" and \$100 million in "Pharmaceuticals."

But included in the "Various Equipment" category, according to information coming from Iran, were military items, among them some 155mm howitzers made by Noricum, a Voest-Alpine company.

Our sources say the final hitch in the billion-dollar deal was over the commission. "There was a fight over the percentage of the commission on these weapons," said a source close to the negotiations. The price of the arms had been jacked up as much as 35 percent to allow for payment of the commissions, the source said.

Once the commission was agreed on, the transaction was sealed. Since the Austrians could not legally ship arms to combatant Iran, our sources said, the "end-user" certificates, indicating the weapons' ultimate destination, were presumably written to show a different country. The weapons were to be shipped by way of neighboring Yugoslavia.